



RECEIVERSHIP MANAGEMENT, INC.

RECEIVERSHIPS & LIQUIDATIONS

PRESENTED BY
ROBERT E. MOORE, JR.



RECEIVERSHIP MANAGEMENT INC. ACTS AS AND/OR PROVIDES SUPPORT SERVICES TO COURT APPOINTED RECEIVERS AND INDEPENDENT FIDUCIARIES FOR:

- Federally regulated pension plans and health and welfare benefit funds
- State regulated insurance companies, health maintenance organizations, and workers compensation trusts
- State regulated trust companies
- State regulated utilities
- State regulated finance companies
- Securities companies
- Our services include coordination of asset collection, valuation of assets, and managing and processing claims and settlements for pension plans, health plans, and class action lawsuits.

OVERVIEW

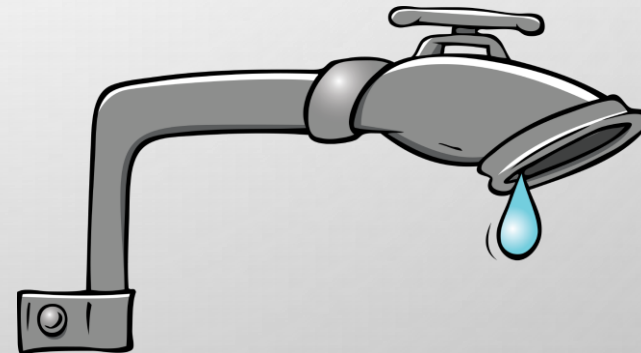
Purpose of this Presentation is to provide an Overview of Receivership and Liquidation Actions within the Utility Area.



IDENTIFICATION OF APPROPRIATE SITUATIONS FOR A RECEIVERSHIP IS CRITICAL

HOW DO YOU IDENTIFY SITUATIONS WHERE A RECEIVERSHIP OR LIQUIDATION ACTION SHOULD BE CONSIDERED WHEN A UTILITY IS INVOLVED?

- 1. DOES THE UTILITY HAVE CRITICAL OPERATIONAL FAILING(S) OR FINANCIAL FAILING(S)?**



RED BOILING SPRINGS



LAUREL HILLS

LAUREL HILLS SETTLEMENT AGREEMENT

FRIDAY, FEBRUARY 22, 2019 | 04:30PM

COMMISSION APPROVES SETTLEMENT AGREEMENT TRANSFERRING LAUREL HILLS WATER SYSTEM TO CRAB ORCHARD UTILITY DISTRICT

NASHVILLE, TENNESSEE – THE TENNESSEE PUBLIC UTILITY COMMISSION (TPUC) APPROVED A SETTLEMENT AGREEMENT BETWEEN THE COMMISSION AND WATER UTILITY SYSTEMS INVOLVED IN LITIGATION THAT DATES BACK NEARLY A DECADE – THE RESULTS OF WHICH WILL ENSURE SAFE, ADEQUATE, AND RELIABLE POTABLE WATER FOR THE IMPACTED COMMUNITY.

THE SETTLEMENT AGREEMENT RESOLVES SEVEN YEARS OF ONGOING LITIGATION RELATED TO THE LAUREL HILLS WATER SYSTEM (LHWS) AND CONDITIONALLY TRANSFERS OWNERSHIP OF ALL REAL PROPERTY AND ASSETS FROM THE WATER SYSTEM RECEIVERSHIP TO CRAB ORCHARD UTILITY DISTRICT (COUD) PROVIDED IT COMPLETES ALL OF THE NECESSARY INFRASTRUCTURE IMPROVEMENTS FOR SERVING THE RESIDENTS OF RENEGADE MOUNTAIN, WHICH INCLUDE THE REHABILITATION OF THE WATER TOWER AND RELOCATION OF THE MAIN WATER SUPPLY LINE. THE AGREEMENT ALSO PROVIDES FOR THE GRANTING OF EASEMENTS NECESSARY TO COMPLETE THE WATER SYSTEM REHABILITATION PROJECTS.

"THE SETTLEMENT OF THIS LITIGATION WILL ASSIST THE CUSTOMERS OF THE WATER SYSTEM, PROMOTE THE FUTURE DEVELOPMENT OF THE AREA BY THE PROVISION OF RELIABLE WATER SERVICE, AND SAVE THE STATE FUTURE EXPENDITURES RELATED TO THE RECEIVERSHIP AND CORRESPONDING LITIGATION," SAID ROBIN MORRISON, TPUC CHAIR.

ALL PARTIES AGREE THAT THE ESTIMATED COST OF THE WATER SYSTEM REPAIR AND UPGRADES IS APPROXIMATELY \$925,000. IN ORDER TO SETTLE THE OUTSTANDING LITIGATION, THE AGREEMENT REQUIRES TPUC TO CONTRIBUTE THESE FUNDS TO THE COUD WITH THE TRANSFER OF THE WATER SYSTEM PROVIDED THAT THE COUD COMPLETES THE NECESSARY REPAIRS AND IMPROVEMENTS. THE SETTLEMENT ENDS SIGNIFICANT RESOURCES EXPENDED BY TPUC TO ENSURE CONTINUED WATER SERVICE TO THE RESIDENTS OF RENEGADE MOUNTAIN, AND LITIGATION OF SIX RELATED CASES INVOLVING A MULTITUDE OF PARTIES, IN MULTIPLE COURT VENUES.

"I'M VERY PLEASED THAT THE RESIDENTS OF RENEGADE MOUNTAIN WILL ONCE AGAIN HAVE SAFE, RELIABLE AND AFFORDABLE SOURCE OF POTABLE WATER," SAID STATE SENATOR PAUL BAILEY. STATE REPRESENTATIVE CAMERON SEXTON ADDED, "I AM VERY APPRECIATIVE OF ALL THE PARTIES INVOLVED, PARTICULARLY, THE TPUC AND CRAB ORCHARD UTILITY DISTRICT FOR WORKING DILIGENTLY TO RESOLVE THIS LITIGATION WHICH WILL SIGNIFICANTLY REDUCE THE MONTHLY WATER BILLS FOR THE RESIDENTS OF LAUREL HILLS."

THE UTILITY SYSTEM, ORIGINALLY OPERATED BY LAUREL HILLS WATER SYSTEM (LHWS) SERVED THE RESIDENTS OF RENEGADE MOUNTAIN IN CUMBERLAND COUNTY, TENNESSEE. A CHANGE IN OWNERSHIP OF THE SYSTEM LED TO A DISRUPTION OF WATER SERVICE TO THE RESIDENTS, CAUSING THE RESIDENTS TO SEEK AND OBTAIN WATER IN ALTERNATIVE WAYS, WHICH LED TO RECEIVERSHIP AND THE AGREEMENT TO TRANSFER IT TO THE COUD.

THE MISSION OF THE TENNESSEE PUBLIC UTILITY COMMISSION IS TO ENSURE THE SAFE AND RELIABLE PROVISION OF THE PUBLIC UTILITY SERVICES TO THE CITIZENS OF TENNESSEE. TPUC STRIVES TO SERVE THE BEST INTERESTS OF THE PUBLIC IN ITS UTILITY OVERSIGHT AND AGENCY OPERATIONS.

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[Receivership Management, Inc.](#)

HAS A CORRECTIVE ACTION PLAN BEEN INITIATED BY THE APPLICABLE REGULATORY BODY?

**HAS THE UTILITY BEEN ORDERED TO OBTAIN NECESSARY REGULATORY
LICENSE**

HAS THE UTILITY BEEN ORDERED TO MAKE CERTAIN FINANCIAL REPORTING

**HAS THE UTILITY BEEN ORDERED TO MAKE CERTAIN OPERATING CHANGES OR
IMPROVEMENTS**





FAILED



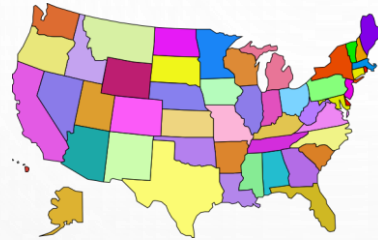
IS THE UTILITY **NOT** COMPLYING WITH THE
CORRECTIVE ACTION PLAN

OR

UNABLE TO COMPLY WITH CORRECTIVE ACTION
PLAN

RECEIVERSHIPS

- **STATUTES VARY BY STATE**



RULE 66: RECEIVERS.

An action wherein a receiver has been appointed shall not be dismissed except by order of the court. The practice in the administration of estates by receivers or by other similar officers appointed by the court shall be in accordance with the statutes of this state and with the practice heretofore followed in the courts of this state. In all other respects, an action in which the appointment of a receiver is sought or which is brought by or against a receiver shall be governed by these rules.

- **GENERAL AUTHORITY ACROSS THE STATES TO TAKE OVER AND OPERATE THE UTILITY**



RECEIVERSHIP IS DEFINED AS.....



FROM WIKIPEDIA: [HTTPS://EN.WIKIPEDIA.ORG/WIKI/RECEIVERSHIP](https://en.wikipedia.org/wiki/Receivership)

- At [law](#), **receivership** is a situation in which an institution or enterprise is held by a **receiver**—a person "placed in the custodial responsibility for the [property](#) of others, including tangible and intangible [assets](#) and rights"—especially in cases where a company cannot meet financial obligations or enters [bankruptcy](#).^[1] The receivership remedy is an [equitable remedy](#) that emerged in the English [chancery courts](#), where receivers were appointed to protect real property.^[2] Receiverships are also a remedy of last resort in litigation involving the conduct of executive agencies that fail to comply with constitutional or statutory obligations to populations that rely on those agencies for their basic [human rights](#).^[2]
- Receiverships can be broadly divided into two types: (1) Those related to [insolvency](#) or enforcement of a [security interest](#). (2) Those where either A person is Incapable of managing their affairs and so the court appoints a receiver to manage the property on their behalf—for example a receiver appointed by a [Court of Protection](#) under [mental health legislation](#)^{[3][4]} (in some jurisdictions, called [conservatorship](#)).
- The Government seizes control of property due to breaches of law or regulation.
- Receiverships relating to insolvency are subdivided into two further categories: administrative receivership, where the receiver is appointed wide management powers over all or most of the property of a business, and other receiverships (sometimes misleadingly called *fixed charge receiverships*) where the receiver has limited control over specific property, with no broader powers beyond managing or selling the individual asset.
- Receivers are appointed in different ways:^[1] Government regulator appointed, Privately appointed or Court-appointed^[1]
- The receiver's powers "flow from the document(s) underlying his appointment"—i.e., a [statute](#), financing agreement, or [court order](#)

FACTORS TO CONSIDER WHEN DETERMINING IF YOU SHOULD CONSIDER A RECEIVERSHIP:



Is the Customer Base Stable?



Is Utility system's plant and equipment sufficiently stable and reliable to deliver service to customer base?



Are there other market services not being operated (i.e. are there other sources of revenue available)?



Is there capacity for rate increases?



Is there a possibility of increasing the customer base because system has more capacity available?



Is the existing staff able to operate the utility (in whole or in part) consistent with regulatory requirements to have the license or necessary certificates to offer utility service;



Do you anticipate the existing ownership of the utility will cooperate with the regulatory body's proposed action?



FACTORS CONTINUED

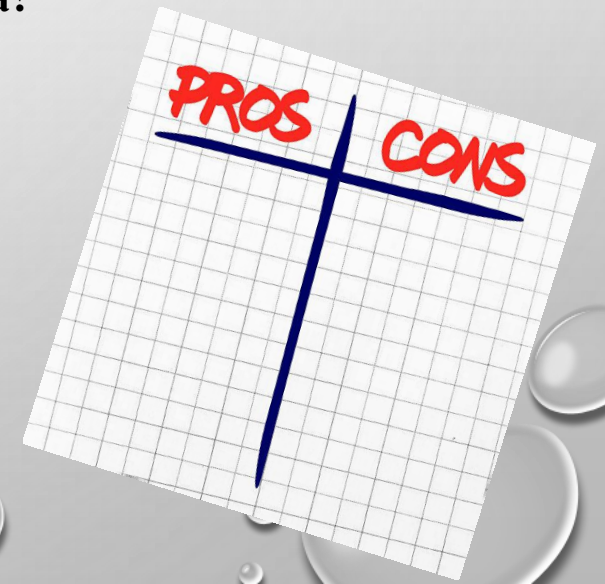
➡ Are there existing employees who are reliable and possess the necessary expertise to operate the utility or assist in operating the utility as a going concern?

➡ Do you plan to take the asset away as part of your regulatory action? If this action is planned – you must be able to prove your case to get the extraordinary relief.

➡ Are there other persons who could operate and are interested in operating the utility in the area?

➡ Is it an essential utility service – required for health and safety?

**IF ANY OF THESE RESULT IN NEGATIVE RESPONSES,
REHABILITATION OF BUSINESS IS PROBABLY NOT AN OPTION.**



POSITIVE ATTRIBUTES OF USING A RECEIVERSHIP

POWER OF THE COURT TO REQUIRE ACTION;

IMMEDIATE CONTROL OF OPERATIONS;

IMMEDIATE CONTROL OF FINANCES;

POTENTIAL DISCHARGE OF CERTAIN DEBTS OR OTHER OBLIGATIONS;

ABILITY TO DIRECT, CONDUCT AND IMMEDIATELY IMPLEMENT EFFICIENT AND SAFE OPERATIONS; AND

ABILITY TO SELECT RESPONSIBLE OPERATORS (I.E. QUALIFIED TO PROVIDE UTILITY SERVICE).



NEGATIVE ATTRIBUTES OF A RECEIVERSHIPS



EXPENSIVE (COSTS PAID BY STATE/REGULATORY BODY);

MAY INVOLVE A LOT OF LITIGATION – COMPLEX PROCESS;

MAY STRAIN EXISTING REGULATORY RESOURCES NEEDED FOR OTHER MATTERS;

JUDGE’S ORDERS MAY NOT BE WHAT THE REGULATOR OR FIDUCIARY OPERATOR HAD HOPED WOULD TAKE PLACE;

RATE INCREASES (HEFTY); AND

CANNOT OPERATE THE UTILITY IN PERPETUITY.

HOW IS A RECEIVERSHIP DESIGNED TO BE CONCLUDED?

- **Adoption of a Receiver Plan;**
- **Return of Business to Previous Owners;**
- **Auction of the Business; or**
- **Transfer to New Operators.**



LIQUIDATION DEFINED



- the process of realizing upon assets and of discharging liabilities in concluding the affairs of a business, estate, etc.
- the process of converting securities or commodities into cash.
- the state of being liquidated: *an estate in liquidation*.

FROM: [HTTPS://WWW.DICTIONARY.COM/BROWSE/LIQUIDATION](https://www.dictionary.com/browse/liquidation)

REMEMBER LIQUIDATION

Statutes vary by state.



WHY IS LIQUATION NOT USUALLY AN OPTION FOR UTILITY BUSINESS SITUATION?

PRIMARY goal is to **cease** and **not re-continue** the operation of the business/utility.

It is not an option because of the necessity of continued service for the customers – must have water and sewer service.

QUESTIONS

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